

## HSBC Brazil Manufacturing PMI™

New orders fall at fastest pace since March 2009

### Summary

Business conditions in Brazil's manufacturing sector deteriorated further, as indicated by the HSBC Brazil Manufacturing PMI™ – a composite indicator of underlying business trends. At 45.5 in September, down from 46.0 in August, the PMI posted below the 50.0 no-change threshold for the fourth consecutive month and signalled a strong contraction in Brazil's manufacturing sector. Moreover, the average PMI reading for Q3 as a whole suggested that the rate of contraction was the fastest since Q1 2009.

In September, the volume of new orders received by Brazilian manufacturers declined for the sixth month running. The rate of decrease was strong and the fastest since March 2009. Almost 17% of firms reported a lower level of new work, and largely attributed declines to weak demand.

New export orders also fell during the latest survey period. Monitored companies suggested that unfavourable exchange rates and stronger competitive pressures contributed to the latest fall in export orders.

Reflective of the further reduction in new orders, production at Brazilian manufacturers declined for the fourth consecutive month in September. Moreover, the rate of contraction strengthened to the fastest since March 2009. Backlogs also fell during the latest survey period, while stocks of finished goods were depleted for the first time in seven months.

The amount of inputs purchased by Brazilian manufacturing firms decreased in September. Input inventories were also reduced during the latest survey period. Anecdotal evidence suggested that purchasing activity fell as output and new order volumes declined further. Suppliers' delivery times meanwhile quickened during September, albeit only marginally.

Employment in Brazil's manufacturing sector fell further in September, extending the current period of job losses to four months. Surveyed firms commented that staff headcounts were reduced in an attempt to control costs.

Brazilian manufacturers recorded higher input prices during the latest survey period, with steel and food products particularly mentioned as having increased in cost. Nevertheless, the rate of input price inflation remained below the long-run series average, despite strengthening since August. Firms passed on greater cost burdens to clients by raising their output charges, but the rise in factory gate prices was only slight.

### Comment

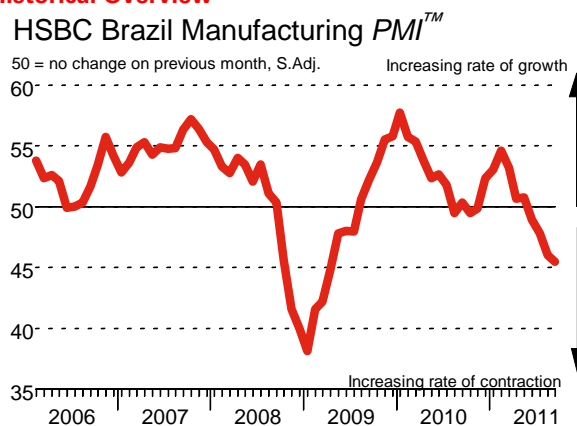
**Commenting on the Brazil Manufacturing PMI survey, Andre Loes, Chief Economist, Brazil at HSBC said:**

*"The retraction in Brazil's manufacturing sector gained momentum in September. The HSBC Manufacturing PMI headline index fell to 45.5 in a broad-based decline that showed all components except prices experiencing a steep decline in economic activity. In particular, firms reported that output and new orders fell at the fastest pace since March 2009. While a weaker BRL could provide some relief for manufacturing, the outlook for the sector will likely remain gloomy over the coming months, despite evidence that consumer demand remains resilient."*

### Key points

- New work intake declines for sixth consecutive month
- Rate of job losses strongest in 26 months
- Headline PMI remains firmly below 50.0 no-change mark

### Historical Overview



## For further information, please contact:

### HSBC

Andre Loes, Chief Economist, Brazil  
Telephone +55-11-3371-8184  
Email [andre.a.loes@hsbc.com.br](mailto:andre.a.loes@hsbc.com.br)

Constantin Jancso, Senior Economist, HSBC Bank Brazil  
Telephone +55-11-3371-8183  
Email [constantin.c.jancso@hsbc.com.br](mailto:constantin.c.jancso@hsbc.com.br)

Antonio Seidl, Senior Press Officer, HSBC Bank Brazil  
Telephone +55-11-3847-5785  
Email [aseidl@hsbc.com.br](mailto:aseidl@hsbc.com.br)

### Markit

Mark Wingham, Economist  
Telephone +44-1491-461-004  
Email [mark.wingham@markit.com](mailto:mark.wingham@markit.com)

Rachel Harling, Corporate Communications  
Telephone +44-20-7064-6283 / +44-782-7891-072  
Email [rachel.harling@markit.com](mailto:rachel.harling@markit.com)

### Notes to Editors:

The HSBC Brazil Manufacturing *PMI* is based on data compiled from monthly replies to questionnaires sent to purchasing executives in around 400 manufacturing companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on industry contribution to Brazilian GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The *Purchasing Managers' Index (PMI)* is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact [economics@markit.com](mailto:economics@markit.com).

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